

Message Text

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ACTION EUR-25

INFO OCT-01 ARA-16 EA-11 IO-14 ISO-00 AGR-20 SWF-02 AID-20

CEA-02 CIAE-00 COME-00 EB-11 FRB-03 INR-11 NSAE-00

RSC-01 CIEP-03 SP-03 STR-08 TRSE-00 LAB-06 SIL-01

SAM-01 OMB-01 SS-20 NSC-07 L-03 H-03 PRS-01 PA-04

USIA-15 DRC-01 /214 W

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P R 300834Z SEP 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 4329

INFO USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

AMEMBASSY COPENHAGEN

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AMEMBASSY TOKYO

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DEPT PASS AGRICULTURE

E.O. 11652: NA

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TAGS: EAGR, EEC

SUBJECT: UK REACTION TO GERMAN REFUSAL TO ACCEPT CAP
PRICE INCREASES

REF: EC BRUSSELS 7292; EC BRUSSELS 7500; LONDON 12405

BEGIN SUMMARY. THE GERMAN REFUSAL TO ACCEPT THE EC PRICE RISE PUTS THE BRITISH VIEW OF THE CAP IN TERMS MUCH STRONGER THAN THE UK HAS SO FAR DARED TO PROPOSE IN ITS OWN PIECEMEAL APPROACH. THE UK RECOGNIZES THAT THE GERMANS, AS FULLY-COMMITTED FOUNDER MEMBERS OF THE COMMUNITY, ARE IN A MUCH STRONGER POSITION THAN THE UK TO INFLUENCE EC POLICY. MEANWHILE, THE UK MINISTER OF AGRICULTURE FRED PEART, STATES THAT THE SPECIAL MEASURES FOR THE UK AGREED IN BRUSSELS ON SEPTEMBER 20 FOR THE UK SUCH AS DEVALUATION OF THE "GREEN POUND" AND SUBSIDIES ARE NOT AFFECTED BY THE GERMAN STAND. END SUMMARY.

1. THE PARADOX FOR THE UK OF THE GERMAN REFUSAL TO GO ALONG WITH CAP PRICE INCREASES IS THAT, ALTHOUGH INITIALLY HMG'S POSITION WAS TO OPPOSE ACROSS-THE-BOARD PRICE INCREASES, THE HOLDING-DOWN OF THESE TO AS LOW AS 5 PERCENT WAS PRESENTED BY MINISTER OF AGRICULTURE PEART AS SOMETHING OF A TRIUMPH. THE PRESENT GOVERNMENT HAS IN FACT BEEN OBLIGED TO SHIFT ITS FORMER OUTRIGHT HOSTILITY TO THECAP THROUGH HAVING TO RECOGNIZE THAT, IN THE CIRCUMSTANCES OF 1974, MEMBERSHIP OF THE EC HAS ON BALANCE KEPT FOOD PRICES HERE LOWER THAN THEY OTHERWISE WOULD HAVE BEEN. THE GERMAN STAND WILL NOT GIVE ADDED ENCOURAGEMENT TO THE BRITISH GOVERNMENT IN ITS EFFORTS TO RENEGOTIATE THE TERMS OF EC ENTRY IF LABOUR IS RE-ELECTED IN THE OCTOBER 10 GENERAL ELECTION. IT ALSO CONTINUES THE MOMENTUM FOR REFORM WHICH MIGHT HAVE BEEN LOST DURING THE PERIOD OF THE GENERAL ELECTION CAMPAIGN.

2. THIS WEEK THE CAREFULLY PREPARED FACADE OF CABINET UNITY ON THE EC QUESTION HAS BEEN CRACKED BY STATEMENTS FROM SHIRLEY WILLIAMS AND ROY JENKINS THAT THEY WOULD RESIGN FROM ANY LABOUR CABINET IF A REFERENDUM RESULTED IN BRITISH WITHDRAWAL FROM THE COMMUNITY. IN A LONG EDITORIAL IN THIS MORNING'S "TIMES" THE STATEMENTS OF LIMITED OFFICIAL USE

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JENKINS AND MRS. WILLIAMS ARE WELCOMED FOR BRINGING INTO THE OPEN THE CONTROVERSY OVER THE REFERENDUM ISSUE AND THE EDITORIAL USES THE GERMAN VETO ON THE CAP PRICE INCREASES AS A PLEA FOR A MUCH MORE OPEN AND FRANK DISCUSSION HERE OF BRITAIN'S FUTURE IN THE COMMUNITY. THE EDITORIAL POINTS OUT THAT SO FAR THE UK HAS GAINED MANY BENEFITS FROM BEING IN THE EC AND CASTIGATES THE PRIME MINISTER AND THE LABOUR MANIFESTO FOR IGNORING THESE AND

FOR ITS NEGATIVE OUTLOOK ON THE EC ISSUE.

3. UK FARMERS ARE TODAY SEEING MINISTER PEART TO SEEK AN ASSURANCE THAT THE SEPTEMBER 20 BRUSSELS PACKAGE WILL STILL COME INTO OPERATION FROM OCTOBER 1. THE UNION PRESIDENT SAYS THE SITUATION IN THE LIVESTOCK SECTOR REMAINS CRITICAL, THAT THE MEASURES MUST START ON OCT. 1 AND THAT SOME FORM OF FLOOR PRICES FOR BEEF ARE STILL ESSENTIAL. THE NFU WILL ATTEND AN EMERGENCY MEETING OF CCOPA ON OCTOBER 2 PRIOR TO THE AGRICULTURAL MINISTERS' MEETING.

4. INTRA-COMMUNITY GRAIN TRADING HAS AGAIN BEEN RENDERED VERY DIFFICULT BY THE NEW PRICE PACKAGE. IT IS VIRTUALLY IMPOSSIBLE AT THIS POINT TO CALCULATE A SPECIFIC DELIVERED PRICE OF GRAIN FROM FRANCE TO A POINT IN THE UK. ALSO, THERE HAS NOT BEEN A RULING ON WHETHER OR NOT THE NEW VALUE OF THE DEVALUED "GREEN POUND" APPLIES TO CONTRACTS ESPECIALLY BETWEEN THE UK AND IRELAND PRIOR TO LAST WEEKS MEETING.

5. MAFF OFFICIALS DO NOT SEE THE GERMAN VETO AS NEARLY AS SERIOUS A THREAT TO THE CAP AS NEWSPAPER ACCOUNTS AND REPORTS FROM OTHER EC CAPITALS SEEM TO.

6. COMMENT. IT APPEARS THAT IF THE GERMANS TAKE A FIRM STAND ON A REVIEW OF THE WHOPE CAP STRUCTURE, THE UK WILL BACK THEM TO THE HILT, ALTHOUGH THE TWO COUNTRIES MAY DIFFER OVER SPECIFIC CAP REFORMS. GERMANY AS THE LARGEST CONTRIBUTOR TO CAP FINANCING, AND THE UK AS POTENTIALLY THE SECOND LARGEST, SHARE A COMMON GOAL IN TRYING TO BRING ABOUT LIMITATION ON CAP EXPENDITURES. BOTH COUNTRIES AT THE PRESENT TIME HAVE GOVERNMENTS WHICH DEPEND LIMITED OFFICIAL USE

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FOR THEIR SUPPORT ON TOWN-DWELLERS AND INDUSTRIAL WORKERS ALTHOUGH IN WEST GERMANY, OF COURSE, THE SITUATION SOMEWHAT LESS CLEAR BECAUSE OF THE COALITION OF THE SOCIAL DEMOCRATS WITH THE FREE DEMOCRATS. BY AND LARGE, HOWEVER, NEITHER GOVERNMENT IS DEPENDENT ON THE FARM VOTE. THERE ARE, HOWEVER, DIFFERENCES BETWEEN THE TWO COUNTRIES IN THAT THE FARM POPULATION IN GERMANY IS SIGNIFICANTLY HIGHER THAN IN THE UK. THE UK COULD BE EXPECTED TO GIVE STRONG SUPPORT TO THE GERMAN STAND IN THE HOPE THAT CAP REFORM MAY LEAD TO THE MAINTENNANCE OF BRITISH FARM INCOMES WHILE REDUCING, OR AT LEAST NOT INCREASING, THE PRICE OF FOOD TO CONSUMERS POSSIBLY THROUGH THE COMMUNITY ACCEPTANCE OF SOME FORM OF DEFICIENCY PAYMENT SCHEME.

DECON 9/27/75

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRICULTURAL PRODUCTION, MINISTERIAL MEETINGS, IMPORT CONTROLS, EXPORT CONTROLS, PRICES, GRAINS, GOVERNMENT REACTIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LONDON12678
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740275-0218
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974093/aaaaacel.tel
Line Count: 170
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: EC BRUSSELS 7292; EC BRUSSELS 7500; LONDON 12405
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 08 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 APR 2002 by cunninfx>; APPROVED <10 JUL 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: UK REACTION TO GERMAN REFUSAL TO ACCEPT CAP PRICE INCREASES
TAGS: EAGR, EEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005